

**MINUTES OF THE
INCOME TAX WORKING GROUP
TAX REFORM TASK FORCE**

Wednesday, July 13, 2005 – 10:00 a.m. – Room W125 House Building

Working Group Members Present:

Sen. Howard A. Stephenson, Senate Chair
Rep. Stephen H. Urquhart, House Chair
Rep. Rosalind J. McGee
Mr. Neil Ashdown

Other Task Force Members Present:

Rep. Todd E. Kiser

Staff Present:

Mr. Phillip V. Dean, Policy Analyst

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Working Group Business

Chair Urquhart called the meeting to order at 10:23 a.m.

MOTION: Rep. McGee moved to approve the meeting minutes of June 8, 2005 and June 16, 2005. The motion passed unanimously.

2. Corporate Franchise/Income Tax - Income Apportionment - Singles Sales Factor; \$500,000 Minimum Filing Threshold; Corporate Value-Added Tax

Mr. Dean distributed and reviewed "Corporate Franchise and Income Tax - Income Apportionment - Single Sales Factor - Minimum Filing Threshold - Value-Added Tax."

Mr. Mike Jerman, Utah Taxpayers Association, recommended adopting an electable single sales factor income apportionment methodology and eliminating the income "throwback" requirement. Rep. Urquhart, Mr. Ashdown, and Sen. Stephenson commented on the single sales factor, the income throwback requirement, and the business community's priorities for tax reform. Mr. Jerman indicated that a single sales factor benefits existing businesses and also encourages new businesses to locate within the state. He also indicated that the highest priority of the business community in terms of tax reform is to exempt purchases of business inputs from the sales and use tax.

Ms. Sarah Wilhelm, Utah Issues, commented on the single sales factor and indicated that the corporate income tax is likely much less important in business location decisions than a skilled and educated workforce, adequate infrastructure, and the state's individual income tax system. She noted that corporate income tax revenues are allocated to the education system, which could be adversely affected by revenue losses, leading in turn to a less skilled and educated workforce for businesses.

Mr. Courtney White, Utah Education Association (UEA), expressed concerns about the fiscal impact of proposed changes to the corporate income tax and the corresponding effect on the education system. He also suggested that the Working Group consider adjusting the minimum school levy to compensate for revenue reductions from changes to the corporate income tax. Rep. Urquhart asked about UEA's willingness to participate in tax reform discussions related to economic development. Mr. White indicated a willingness to participate in those discussions.

MOTION: Sen. Stephenson moved to have staff (1) draft legislation to implement an electable single sales factor and eliminate the "throwback" requirement, and (2) request a fiscal note on the draft legislation. The motion passed with Rep. McGee voting in opposition.

3. Corporate Gross Receipts Tax

Mr. Dean distributed and reviewed draft legislation "Gross Receipts Tax Amendments, Repeal, and Public Utility Tariffs." Sen. Stephenson commented on the gross receipts tax on certain electrical corporations.

MOTION: Sen. Stephenson moved to have the full Task Force consider draft legislation "Gross Receipts Tax Amendments, Repeal, and Public Utility Tariffs," with the understanding that the tariff adjustment language may need to be amended. The motion passed unanimously.

4. Other Items / Adjourn

Rep. McGee asked when further discussions on the individual income tax would take place, including a discussion of the impact of a flat tax on taxpayers at different income levels. Rep. Urquhart indicated that further discussions would take place with the full Task Force. Rep. McGee requested that staff provide her an analysis of the impact of a flat tax and other proposals on taxpayers at different income levels. Mr. Dean indicated he would prepare such an analysis, which would be available to any Task Force member who requests it.

MOTION: Mr. Ashdown moved to adjourn the meeting. The motion passed unanimously.

Chair Urquhart adjourned the meeting at 11:11 a.m.